the State. The expenditure is estimated at Rs 294·57 lakhs thus resulting in a substantial surplus of Rs 80·84 lakhs. The surplus, it has to be noted, is not the result of normal conditions, but is due to adventitious circumstances mainly created by the War. In view of the unfavourable repercussions on the economic position which will be inevitable after the war, and having regard to the inevitable cycles of inflation and deflation it will be a prudent policy to fund all the special gains due to the war to be used to mitigate its later ill-effects. It is therefore proposed to credit the surplus of this year to a separate fund styled 'Post War Reconstruction Fund' in the accounts. The money in the Fund is intended to be utilised only for reconstruction purposes and similar surpluses arising in future during the period of the war are also proposed to be credited to the Fund. Any amount credited to the Fund cannot be considered excessive, considering the adverse economic situation which may have to be faced after the war. I shall now explain briefly the more important variations between the budget and revised estimates of 1118.

REVENUE.

5. War-time conditions due to high prices of our commercial crops are reflected in the increase of Rs 10·09 lakhs under Customs. We are getting more in land customs and the receipts from the Cochin Harbour are above the usual level and there is at present no reason to anticipate any big drop therein. Favourable economic conditions by way of greater spending power of the labouring classes have contributed to the increase in consumption of country-made liquor. With the addition also of about a rupee per gallon on the duty on arrack the Excise Revenue is expected to go up by Rs 16·63 lakhs. Due to a plethora of money in the country derived from the sale of commercial crops, war contracts and from remittances received from State subjects employed abroad on war occupations and in important labour operations, transactions relating to investments on land and redeeming of mortgages have increased to a phenomenal extent. The Stamp and Registration revenues have in consequence mounted up and an improvement of Rs 12·56 lakhs and Rs 7·64 lakhs, respectively, is anticipated under these heads. Larger sales and high prices of timber continue as in last year and this accounts for the betterment of Rs 5·06 lakhs under Forests. Large profits realised by trade and industry have yielded better collections of Income-tax and Super-tax and the revenue under Taxes on Income is expected to exceed the budget by Rs 6·90 lakhs.

6. The Railway receipts are expected to go above Rs 5 lakhs on account of increased traffic, resulting in a betterment of Rs 2·20 lakhs. It may be gratifying to note that our Railways are now well on the productive side. Under Miscellaneous Departments, large receipts from the Rubber Factory due to war-time profits chiefly account for an increase of Rs 6·37 lakhs. There is a considerable increase in the density of passenger and parcel traffic in the State Transport this year. Taking also into account the increase in rates by 25 per cent. from

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[Mr. A. Lakshminarayana Aiyar.]

Kanni 1118, the net receipts of the Department will be Rs 3·79 lakhs more than the budget in spite of the high operating cost. There is also a special item of receipt of Rs 9·97 lakhs due to the profits realised on the sale of certain investments shown under the head 'Miscellaneous.'

EXPENDITURE CHARGED TO REVENUE.

7. The rise in expenditure is made up of small increases under several heads and the important increases which may be mentioned are Rs 3·07 lakhs under Miscellaneous due to the dearness allowance paid to low-paid Government servants at higher rates and with extended scope, Rs 1·53 lakhs under Education on account of certain special grants paid to the Travancore and Annamalai Universities and Rs 1·40 lakhs under Army due to the purchase of additional equipment.

8. We have contributed this year for war purposes a sum of B. Rs 5 lakhs. Thus a very large contribution in money has been made for war purposes besides our contribution to the armed forces and in the matter of supplies etc.

CAPITAL EXPENDITURE.

9. The total capital expenditure this year is expected to be Rs 36.45 lakhs against the budget of Rs 30·29 lakhs for reasons mentioned below.

10. An additional expenditure of Rs. 3.62 lakhs is expected under Electric Schemes due to permits having been obtained for the import of certain machinery required for the expansion of our load in Pallivasal. As an initial step in the development of our coastal transport, we have purchased this year four sailing vessels and this accounts for the fresh outlay of Rs 3·60 lakhs under Coastal Transport.

Budget Estimates for 1119.

11. I now come to the Budget Estimates for the next year. In view of the present uncertain and abnormal conditions, the most reasonable course in framing the next year's estimates is to assume that the general position next year will be the same as in the current year. As there is no basis to anticipate otherwise, the Budget is framed on the above assumption with a slight element of caution on account of war conditions; but it takes into account the incidental variations in the working of the Governinent Departments and also the exceptionally high prices ruling at present.

REVENUE.

12. The revenue for the next year from existing sources is estimated at Rs 364·94 lakhs against the revised estimate of Rs 375·41 lakhs for this year. The estimates under the principal heads of revenue have been fixed slightly lower than the revised estimate by Rs 10·55 lakhs

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